

PRACTICAL POLITICS

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LONDON AND THE SOUTH-EAST

Population and gainful economic activity have concentrated more and more in the south-east of England in the last thirty years or so, particularly in and around London. Much of the rest of the Kingdom has been in relative or absolute decline. Reasons include the loss of “smoke stack” industries and their replacement both by those using modern, advanced technology and by service industries (not least in the financial sector), together with the lurch towards “Europe” following ECM/EEC/EC/EU membership which not only has left the west and north distant from the continental heartland but also has affected adversely overseas trading links from formerly great western ports.

Whilst this trend has done Scotland, Northern Ireland, Wales, and the northern and western regions of England no favours, it has not been an unmixed blessing for London and the south-east either, what with soaring house prices (reflecting soaring land costs), often very unpleasant conditions for commuters travelling to and from work, poor public services generally, and an inescapable shabbiness. Local authorities complain of the difficulties in recruiting and retaining essential workers, and tend to blame lack of affordable housing. Londoners, it is said, pay huge amounts to the exchequer in taxes (income tax, National Insurance contributions, corporation tax, v.a.t., and the like) which are then distributed around the provinces, leaving the nation’s capital city short of funds and feeling victimised.

The truth is that London and the south-east could afford to pay much more, were it not that their wealth is sucked up in land values, from which, under the present fiscal régime, the greatest gainers are of course the big landholders. Most people in London and its hinterland are not at all rich – unless they are established landowners through owning the freehold of the plot on which their house is built.

The sky-high land values of the City and West End are where they are, because here is the focal point of so much of the nation’s government and administration, business, tourism, cultural life and entertainment, with everything that follows from this. Is the south-east too big already, or is it so important that it should be encouraged to grow further? Is part of that encouragement to be provision of “affordable” (in effect, subsidised) housing? Why are those, in both the public and private sectors, who say they need “essential workers”, not told they must offer higher wages to get them? Do we need an underpaid labour force in order to maintain the level of central area land values, which would surely fall back if businesses decided to close or relocate outside the south-east? How far do we go to continue delivering presents to the landowning interest? Especially if, seemingly, there do have to be subsidies, there ought also to be LVT operating in its fullness. The entire nation is currently being severely short-changed.

HOUSING – DEMAND IN PERSPECTIVE

In Issue No. 17 we produced a calculation to see how much land was needed for housing. In Issue No. 76 we revised it, using later figures, and then went on to express our revised findings in an alternative manner in Issue No.79. Let us now repeat the process, using the latest population figures from the 2001 Census. The number of people in the U.K. is officially given as 58,789,194 (although “more than a million people, two per cent of the population, were ‘made up’ in order to give census compilers a 100 per cent figure” – Jonathan Petre and Sarah Womack, “Daily Telegraph”, 14th. February). Let us assume an average household of 4 persons, and that the housing density is to be 8 to the acre (a much more spacious environment than is usual, for 12, 16, or even 24 houses to the acre are common enough). The resultant acreage is converted to square miles and the area visualised as a circle whose radius is determined by the full calculation:

$$\text{radius} = \frac{58,789,194}{4 \times 8 \times 640 \times 3.14159} = 30.228 \text{ miles}$$

Thus one could house the entire population very decently within a circle having a radius of little more than 30 miles. An alternative way of expressing this is to say that the housing requirement is for 2,871 square miles of land. The land area of Wales is 7,968 square miles. Thus all we need for comfortable living space is 36% of Wales, leaving the rest of it and all of England and of Scotland and of Northern Ireland free for agriculture, industry, commerce, and leisure. It is essential to have a proper perspective of the puny problem which finding room for houses represents. By the way, if the calculation is done at 4 houses to the acre, the circle has a radius of just under $42\frac{3}{4}$ miles, and at every house in its own acre it is still only $85\frac{1}{2}$ miles! What is this brouhaha about overcrowded islands?

CONGESTION CHARGES

Congestion charges have just been introduced, affecting most motorised vehicles using the roads in central London. Let us suppose the scheme to be entirely successful – congestion is substantially reduced, revenue flows in and improved public transport follows, so that all citizens and officials are happy, and business flourishes as never before. London as a location will become ever more attractive. Land values will rise. If, on the other hand, the scheme is a total disaster, businesses will close or relocate, and the inflow of investment will dry up. Land values will fall. In the one case, landholders receive a bonanza they did nothing to create. In the other, they are powerless to prevent a drop. Mere landownership is entirely parasitical.

BIDs

A BID is a Business Improvement District. Wending its way through Parliament is a Local Government Bill, of which Part 4 deals with BIDs. The objective is to permit businesses in a BID to pay an additional levy to procure specific services not provided from other sources of funding available to the local authority or authorities concerned, including, of course, existing distributions from the UBR (uniform business rate). Part 4 of the Bill is intended as enabling legislation, with guidelines. If passed as currently proposed, this extra charge will be voluntary, and not enforceable upon those who opt out. The most likely “rufuseniks” are owners of vacant or poorly used sites, who will calmly expect to profit from further unearned boosts to the value of their land. Suggestions have therefore been made that, once a sufficient level of support has been achieved from businesses, there should be no “freeloaders”; and it has even been mooted that the supplement might be on the site value of land, excluding buildings and other developments.

The ultimate beneficiaries of investments in amenities in the community are indeed the landowners. BIDs are but the latest in a series of attempts to get those who profit most from development to pay towards it. We have commented on these piecemeal and futile approaches on a number of previous occasions – please see, for example, our Issues No. 49 (page 1), No. 107 (pages 3 to 6, inclusive), No. 117 (page 1), and No. 119 (pages 1 and 4). In any case, it is not, we repeat, a matter of seeking to recoup part of an incremental gain deemed to be attributable to a specific development, but rather of collecting the national land-rent from all land. All land value is public.

Once again, Government has, regrettably, deliberately avoided a comprehensive, systematic, and principled approach to the land question.

HOUSING THE HOMELESS

In the south-east, “Up to 70,000 privately owned homes have been empty for more than six months” (“Daily Express”, 6th. February). The Deputy Prime Minister “plans to bring these unoccupied properties into use through compulsory leasing. Local authority housing chiefs will identify vacant properties...[and] will then be given the power to transfer people on their homeless lists into the private properties which the council will pay to renovate.” The problem is real, but there is a better solution. “All that is needed is to introduce site-value rating (SVR)” (Geoffrey Lee, letter, “Times”, 12th. February). “With SVR the rise in value is matched by the amount the owner would have to pay to the local authority. It would also prove expensive to keep any property empty if the full 100 per cent site-value rate was levied.”

NAMIBIA

In the scramble for Africa, the territory of South-West Africa fell to Germany, who ran it from 1880 until it was lost in World War I. It was then entrusted to South Africa, who administered it until independence came, as Namibia, in 1990, when the country joined the Commonwealth. Most of the population of 1,540,000, living in 318,261 square miles, is engaged in agriculture, but significant diamond deposits lie along the coast and offshore.

“Many of the enormous ranches and farms in Namibia today are owned by German-speaking descendants of early settlers or German expatriates” (Christopher Munnion, “Daily Telegraph”, 31st. January). “President Sam Nujoma, Africa’s strongest supporter of President Robert Mugabe’s ‘land reform programme’ in Zimbabwe, has threatened to follow a similar programme of land seizure.” White colonists had acquired land by seizure, and a subsequent revolt by Herero tribesmen had been put down by the German army with the loss in brutal circumstances of 65,000 native lives.

Namibia is wrong, though, to contemplate following the grim example of its north-eastern neighbour. Seizure and redistribution are not the solution. Reallocation of land is arbitrary even in this generation, is grossly unfair to future generations, and, if limited to farm land alone, leaves the urban landless to their plight. On top of this, alienating land to selected black people is as morally flawed as leaving it with whites: how is a black field hand better off if he has to pay his rent to a fellow black, or if he comes to depend on a black landowner for his wages?

Fortunately there is a way of meeting the legitimate interests of all parties, and it applies to all land throughout Namibia. Wealth producers need security of tenure, but they have no need to own land as private property and no right to pocket its value as personal income. The government may justly require the holder of land to pay annually to the community a sum equal to its rental value, disregarding the value of developments made upon it (in the rural context – the like of buildings, fencing, livestock, crops). This, coupled with remission of existing taxes, enables the whole population, without discrimination, to come into its inheritance.

The Commonwealth, or just the U.K., could perhaps fund the valuation process and help establish the administration of land-rent collection. No doubt expertise can be made available from Australia and South Africa. We can expect many of our own professionals to go too, to see how it is done.

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